

Timely insights from portfolio managers and industry experts on key financial, economic and political issues.

The views expressed in these posts are those of the authors and are current only through the date stated. These views are subject to change at any time based upon market or other conditions, and Eaton Vance disclaims any responsibility to update such views. These views may not be relied upon as investment advice and, because investment decisions for Eaton Vance are based on many factors, may not be relied upon as an indication of trading intent on behalf of any Eaton Vance strategy. The discussion herein is general in nature and is provided for informational purposes only. There is no guarantee as to its accuracy or completeness.

DECEMBER 14, 2020

[Investment Grade Fixed Income | Markets and Economy](#)

Fed has good reasons to punt on monetary policy at FOMC meeting

Boston - The Federal Open Market Committee (FOMC) meets this week, and I think it's unlikely that we'll see any substantive shift in monetary policy in Wednesday's announcement. There is some talk in the market that the Fed may extend the maturity of its QE purchase program at the meeting, but there are good reasons to believe this won't happen.

Without doubt, the Fed is concerned about the recent rise in COVID-19 cases and the short-term implications for the economy, but I don't believe that is sufficient for a change in policy at this meeting. We have buoyant financial conditions, and nothing from the market's perspective suggests that lengthening the maturities of QE purchases, or any other form of policy easing, is needed.

With vaccinations set to be underway, the prospects for the economy over the medium term look a lot better, and I believe that is what investors are focusing on. That gives the Fed leeway to offer some vague guidance about the future of its QE program and "punt" the issue into 2021. A more likely decision point, in my view, will be mid- to late 2021, when the state of the economy could be almost entirely dependent on the success of the vaccines now being rolled out.

For me, the more interesting development at the Fed is the Biden administration's likely shift in focus to fiscal policy from monetary policy, as Janet Yellen takes over as Treasury Secretary. I think there is a growing consensus that monetary policy has largely run its course.

Bottom line: We have a short-term financial aid package being debated in Congress, and that could be a prelude to a lot more market focus on fiscal stimulus by the new administration, and less emphasis on monetary policy — a topic will continue to discuss in future blogs.

Picture
of Eric

Eric Stein, CFA
Chief Investment Officer
Fixed Income
Eaton Vance
Management

"With vaccinations set to be underway, the prospects for the economy over the medium term look a lot better. That gives the Fed leeway to offer some vague guidance about the future of its QE program and 'punt' the issue into 2021."

[Accessibility](#) | [Privacy & Security](#) | [Terms & Conditions](#) | [Form CRS](#) | [Contact](#)

Eaton Vance is part of Morgan Stanley Investment Management, the asset management division of Morgan Stanley

The information on this Web site is for U.S. residents only. The information on this Web site does not constitute an offer to sell, or a solicitation of an offer to purchase, securities in any jurisdiction to any person to whom it is not lawful to make such an offer.

There are no guarantees regarding the achievement of investment objectives, target returns, portfolio construction, allocations or measurements such as alpha, tracking error, stock weightings and other information ratios. The views and strategies described may not be suitable for all investors. Not all of Eaton Vance's recommendations have been or will be profitable. Eaton Vance does not provide tax or legal advice. Investing entails risks and there can be no assurance that Eaton Vance (and its brands) will achieve profits or avoid incurring losses. Prospective investors should consult with a tax or legal

advisor before making any investment decision.

NOT FDIC INSURED | OFFER NO BANK GUARANTEE | MAY LOSE VALUE | NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY | NOT A DEPOSIT

© Eaton Vance Management. All rights reserved. Two International Place, Boston, MA 02110